DOCUMENT RESUME

ED 077 114 EA 005 030

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TITLE Did OEO Fail Performance Contracting? How? Why?
PUB DATE 27 Feb 73
NOTE 6p.; Paper presented at American Association of School Administrators Annual Convention (105th, Atlantic City, New Jersey, February 24-28, 1973)

EDRS PRICE MF-$0.65 HC-$3.29
DESCRIPTORS *Educational Experiments; *Evaluation Methods; *Incentive Systems; *Performance Contracts; *Program Evaluation; Speeches

ABSTRACT

This speech discusses the planning for and the implementation of the O.E.O. performance contracting experiments. The author argues that it was not performance contracting, but the O.E.O. experiment which failed. The author blames this failure not so much on the poor evaluation design, but rather on the number of interface problems which arose because of the conflict between experiment design and project implementation. (Author/JF)

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AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS
105th Annual Convention
Atlantic City, N. J. February 24-28, 1973

ED 077114

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TOPIC: DID OEO FAIL PERFORMANCE CONTRACTING? HOW? WHY?

PLACE: Room B, Convention Hall

TIME: Tuesday, February 27, 2:30 P.M.

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FOR RELEASE UPON DELIVERY

On February 1st a year ago, O.E.O. announced the preliminary results of its unique large-scale experiment with performance contracting -- that "performance contracting had failed to raise student achievement in math and reading." A year later to that date, based upon a prematurely released U.S.O.E. study, headlines again reported "that the offer of incentives to teachers did not increase student performance." Ironically, and paradoxically, on that same day, Dr. John Porter, Chief State School Officer of Michigan, and I appeared before the House of Labor and Education Committee, as the first private witnesses testifying on the Elementary and Secondary Education Act extension. At that time Dr. Porter released the results of his state-wide $23 million Performance Contract-Accountability Model, involving 66 districts and 112,000 students, indicating that 43% of the students achieved their objectives in math; the state-wide "comp ed" average grade equivalent gain per student in math and reading was approximately 1.4 grade gain. I also reported on the results of the Dade County Incentives Project where students averaged between 50 and 300% above expected gain and a performance contracting project conducted in Grand Rapids, Michigan, where 150 educable mentally retarded (EMR) students with an average I.Q. of 59, achieved over a month's gain for a month in the program in math and reading. And two days prior to that testimony, a lower Federal court in Texarkana, Arkansas, after several days of hearings, found that Dorsett Education Systems didn't teach test items and awarded the firm $30,000 which it sought as the result of the allegations made by Education Testing Service, and others in the infamous Texarkana Performance Contract Project.

Is there any reason why educators and laymen are confused about performance contracting? Having been intimately involved in all of the above projects, I can assure you that the fiction written thus far about these projects is probably more believable than the reality of what has happened.

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The questions which I have been asked to address are, "Did the Federal Government fail performance contracting, and if so, how and why?" In the final analysis you and the general public must decide the answer to the first question when all the facts are presented. Hopefully, while offering some constructive criticism regarding the questions of "how", I will focus on two questions:

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1) Was the concept of performance contracting and turnkey operations misused; and
2) What was actually being tested -- the ability of the Federal agencies to conduct experiments, or the technique?

The question of intent, particularly O.E.O.'s can only be hypothesized at this time.

Background of the O.E.O. and Related Experiments

The O.E.O. project officially began in the late spring, 1970, with the intent of testing whether different instructional systems used by various contracting firms could increase significantly math and reading achievement of deficient children. Approximately 30,000 students (X,C, and comparison groups) in 20 districts, 6 firms and two teacher groups, an evaluation contractor, a relatively large O.E.O. staff, and a management support group were involved in this $8-10 million project. On January 31, 1972, O.E.O. Director Philip Sanchez announced that "we have not found the panacea." Preliminary comparisons of experimental vs. control (E vs. C) groups by grade level "resulted in no significant differences." And since O.E.O. felt it "could perform a valuable public service to those school boards (considering performance contracting) by subjecting the claims of performance contractors to scientific scrutiny before these arrangements became fixed in concrete," O.E.O. appeared satisfied with the job it had done. Subsequently, Battelle Memorial Institute, the evaluation contractor, submitted at least two additional reports and O.E.O., some six to eight months later, issued its final report without any significant changes. All O.E.O. claims were challenged!

The U.S.O.E. Incentives Project, conducted in four districts during school year 1971-72, intended to determine what, if anything teachers and parents would do different when offered financial incentives, individually, based upon student performance. Evaluation reports indicate that few significant changes in teacher and parental educational activity occurred and student performance did not change significantly. In the Texarkana experiment, while preliminary results in March, 1970 indicated student performance significantly greater than expected performance, the allegations of "teaching test items" precluded public disclosure of the results -- even those allegedly contaminated.

Misuse of the Performance Contracting-Turnkey Concept?

Three years before this annual convention, as I discussed the performance contract turnkey approach, I emphasized that it should be viewed as a means to an end, namely school system reform, rather than an end itself; that as a tool it was limited technically and administratively and was subject to the intentions of man; and that it offered a low-risk low-cost means for experimentation, a politically feasible and acceptable means to ensure not only desegregation, but also equity of results; an opportunity to ensure community involvement in policy-making; and a means to introduce various changes into public schools.

The first and possibly last time most of these objectives were incorporated into one project was the Texarkana Drop-Out Prevention projects. O.E.O. essentially used performance contracting as a vehicle for evaluating the effectiveness of alternative learning systems used by contractors. It gave lip service to the turnkey notion, mostly to entice end-of-year cooperation and data reporting from each of the districts; even though an initial effort was made to determine the impact of performance contracting of those areas such as desegregation and others previously mentioned, this task study effort was dropped half-way through the experiment, and with some cause

and I'll explain later. Performance contracting was often perceived and sometimes advocated by O.E.O. officials as an end in itself, not as a means for reform, thereby adding further fuel and creating a blaze of controversy.

Similar to the O.E.O. experiment, U.S.O.E. used the offer of incentives to increase student performance and to determine what parents and teachers would do differently; however, the research emphasis of the project did not receive the attention it should have in the media. On the other hand the Texarkana project was a demonstration, not an experiment, of the concept as applied to the local situation and problems facing Texarkana schools, even though it was Federally-funded.

What was the impact of these projects, particularly the O.E.O. project, on the performance contracting-turnkey movement?

First, while the Texarkana project received the most "threatening" type of headlines (e.g., "firm guarantees to do what teachers can't), because of its local derivation, support by teachers and the involvement of so many in the planning process, knowledgeable and responsible teachers and other groups were able to see the real intent of the project . . . a catalyst for school reform. O.E.O.'s involvement in performance contracting changed many perceptions. The "threat" became credible, not only because of the size of the experiment, but also due to the fact that O.E.O. not O.E. took the initiative. The first NEA position stated by Mr. John Lumley before Congress expressed greater concern over this fact than over performance contracting. The President of the UFT, who had discussed the advantages of contracting with teacher groups 3 months previously, sent telegrams to all Congressmen, and the President, calling for a Congressional injunction. O.E.O.'s Director, Donald Rumsfeld responded with a vitriolic attack in September, 1970, when most projects were being implemented, on organized teachers. The die has been cast.

Second, in justifying the experiment, O.E.O.'s "advocacy" increased expectations beyond that which was possible. Contractor's naivete' in this regard also fostered unrealistic expectations. Performance contracting was never meant to be a "panacea".

Third, by focusing primarily on student achievement, (as opposed to change) O.E.O. left itself open to criticism by critics opposed to existing test instruments (e.g., nationally-normed standardized tests), a deficiency existing before the contracting movement began.

And last, the preliminary release without supporting data for 4-8 months most assuredly caused retrenchment generally, although those who were intimately knowledgeable about the O.E.O. experiment and other attributes of performance contracting, did continue their plans, albeit with trepidations.

Project Design

The major criticism of the O.E.O. project from the education research and evaluation profession and GAO has been directed at its evaluation design which was determined by OEO staff. The evaluation contractor, BMI, was responsible largely only for its implementation. Several aspects of the design should be emphasized.

First, the use of a classical E vs C design is open to question. In any controversial project, such as performance contracting, which was threatening to many teachers, the "John Henry" effect was certainly as

prevalent, if not more so than any "Hawthrone" effect. Control teachers, especially in large Northeastern and Western "unionized" districts, appear to have increased student performance significantly as they worked against the "steel driving machine" of performance contracting. In Seattle, C students achieved 1.5 grade gain.

Second, selection of firms was done rather quickly. OEO sent an RFP to a number of firms giving them 10-15 days to respond with a proposal. An addemdum was later sent to the firms requesting additional information regarding costs and levels of guaranteed performance. As a result, many of the firms implemented programs which in some cases differed radically from those originally proposed. Hence, the ability of comparing technology-bases, vs incentivebased vs other configurations was confounded and almost impossible for evaluation purposes. Ironically, materials from one firm, whose proposed guarantee was too low to be considered, were purchased and used extensively by several contractors by the middle of the project.

Third, testing was extensive. Three standardized tests plus mastery of performance objectives were used for payment determination purposes. An additional standardized test was used for evaluation purposes. Because of possible Congressional criticisms that firms would teach faster learners at the expense of slower ones, OEO required each firm to negotiate a level of individual performance below which no payment would be made... an impossibility for any firm to receive full payment because of the error of standardized tests. Most of the test "overkill" resulted from the allegations in Texarkana, since disproven.

Implementation

Where performance contracting has been failed most seriously has been during project implementation.

First, planning time was inadequate not so much to do the necessary paper work but rather to minimize people-related problems. In the OEO project, the districts' personnel met the firm's representative for the first time in late June and negotiated in less than one day a draft contract which neither had previously seen. Busy ordering materials and developing performance objectives, the firms had little time to cultivate a good working relationship with principals and teaching staff before school opened. Personality problems in some instances led to disaster, and bodily harm.

Second, the rigor of the evaluation design and the testing overkill constrained the ease of project implementation. For example, as BMI noted in its report, pre-testing conditions were inadequate in 2/3 to 3/4 of the sites. Principals who had to reschedule classes never forget nor forgave the project. In another instance, where the children in the X school were unexpectedly "disbursed" to several other schools due to a court order, OEO required the firm to establish learning centers in each school rather than selecting the next lowest ranking school for X. And even in those instances where the firm and the district agreed to contract modifications, given the reality of the situation, such modifications were often precluded by OEO.

Third, prompted by NEA and AFT on-site visits by "truth squads" and national encouragement to resist, teacher resistance in terms of subtle sabotage or strikes and even threats prevented delays in project start-up and in some cases laid the foundation for failure. For example, in the Bronx, schools were closed and BMI testing personnel were forced bodily from the building. It is interesting to note that our analysis of a survey

of participating teachers disclosed that of the 215 respondents, 66 favored the concept, 121 disliked it, and only 25 were undecided. OEO ordered a stop work on this task shortly after preliminary results were compiled. To my knowledge OEO, which has these data, has neither conducted further analysis nor released many of these findings.

Based upon a preliminary analysis of the OEO results and a review of our project documentation system I offer the following hypotheses: That the success or failure at each site can be attributed more to the degree to which "interface" problems existed more than any other factor. As you will note in Chart I, in 8 sites experimental groups did better than control groups; and in 10, the reverse occurred. In the 8 "successful sites", the interface problems occurred in 7 of 32 possibilities while in the non-successful" sites, there arose 30 to 40 possibilities. I asked Tom Glennon, now NIE Director, during the 1972 press conference whether OEO would be analysing the above. No such activity has been conducted by OEO although some OEO staff are developing a "white paper on the project."

The USOE incentives project was plagued by similar problems. First, the projects were not officially approved until it was half complete precluding the hiring of project directors on-site and collection of baseline data. Second, contracts with teachers were changed at least 7 times and were not signed until February or March. Parent contracts in some cases were not signed until after the completing of the project. Knowledge about the incentives project was not known by many parents and the projects' credibility among teachers varied. Third, the design of the project, especially the notion of paying individual teachers and parents based upon student performance, cut against the grain of strong mores and ethical considerations.

My conclusion based upon these two projects is that the failure lies not with the technique of performance or even incentive contracting but rather with the ability of Federal agencies to design and implement controversial experiments. The USOE Incentive Project Evaluation Report written by another firm concluded that USOE is not organized to effectively implement such experiments. On the other hand, while OEO had the capacity and flexibility, some have argued that its naivete' and intent precluded any success with performance contracting.

Did OEO intentionally fail performance contracting?

As you are probably aware, there are many theories and rumors why OEO treated performance contracting in its preliminary report, the way it did.

On one hand, certain individuals, such as Jim Mecklenburger, now Director, Research National School Boards Association, and newspapers, such as the editorial staff of the New York Times, as well as others, have proposed somewhat of a conspiracy motive.

Since the results were not uniformly good, some argue OEO had much to gain by aggregating grade levels such that the success would be cancelled by the nonsuccessful site. This would placate NEA resistance on the Hill, since OEO's "continuing resolution" was being acted upon and indeed was passed four days after the results were released. Leading statements were made by OEO officials such as Dr. Tom Glennan, when asked did teacher resistance affect the project in any way, his reply was, "I don't think so." Representatives from certain firms, as well as GAO argue that the project was so poorly conceived that it precluded performance contracting to succeed.

While I'm sure that all of the facts have not surfaced, I offer the following observations.

1. The experiment which was given top priority during initial stages, received the lowest possible priority a year later. The reason is not clear. However, it is true that Director Rumsfield, and Assistant Director, John Q. Wilson, (both strong supporters) left OEO and the Project Director was taken off this project and put on another. Also, during mid-year, interest in the vouchers program began to receive higher priority, and some of the staff associated with the performance contract experiment moved over to the vouchers program. This lowering of priority made things difficult for both the school districts and us as a management support group. For example, we were using the OEO Computer Center at OEO's direction to develop a cost-analysis model. In February, OEO fired the contractor who was doing all of our programming and data reduction, but never replaced the firm. And OEO staff at the center gave the task low priority setting our cost analysis back four or five months.

2. It became clear as the project got underway, there existed naivete' on the part of OEO officials regarding school system operations. And to my knowledge, the original OEO Project Director never did make one site visit to one performance contract school building. Lack of understanding about the nature and extent of operational problems created largely by the conflict with the evaluation design, could therefore not have been expected.

3. As one might naturally expect, the controversial nature of the experiment put OEO in a very threatened position, and one could normally expect, those whose vested interests which were being threatened, were trying to get at OEO. Hence, some of the considerations and decisions made toward the end of the project reflected concern about protecting OEO, the experimental design, and its activities, rather than having the intent of the project upper most in their minds. For example, mention of site visits to our offices or to the sites by GAO personnel, and visits by Congresswoman Edith Green's staff, aroused fear more than once.

4. Having attended the OEO PRESS Conference, when it released its preliminary results and subsequently having talked to officials involved in preparing the preliminary report, I am convinced that the release was badly handled. Even though OEO was under a court order to release the results of the Seattle site by February 1st, the results could have been reported in a more professional manner. For example, Director Sanchez did not read his prepared text, but rather spoke off the cuff, setting the foundation for a very negative discussion later. Even though eight of the 18 experimental groups did better than control groups, this was played down and was included in the last part of the preliminary report. There were no statements of the difficulties of program implementation, pretests conditions, etc., as stated in the Battelle Report, which was available at that time but had not been released to the public.

In summary, I am inclined to agree with Professor J. K. Millers' February article in Phi Delta Kappan entitled "Not Performance Contracting, But The OEO Experiment Failed", not so much because of the poor evaluation design but rather the number of interface problems which arouse due to the conflict between the design and the ease of project implementation. And based upon my experiences with OEO, OE, and other Federally-sponsored experiments with promising yet controversial techniques, I shudder at the thought of further Federally-directed and--sponsored experimentation until it develops the "know-how" and capacity to ensure that these techniques are given a fair test.

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